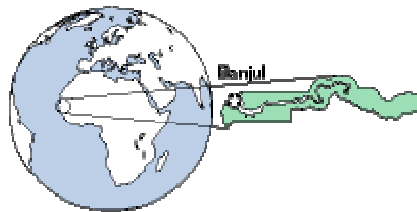


COUNTRY REVIEW

Gambia



17 September 2010

ANALYST: Andrew Atkinson

EULER HERMES COUNTRY RISK GRADE: D

**Country Risk Grades are on a scale of AA, A, BB, B, C, D
where AA is the lowest and D the highest risk.**

COUNTRY PROFILE

| | |
|---------------------|---|
| Capital city: | Banjul |
| GDP: | USD730mn (2009e) |
| Population: | 1.7mn (2009e) |
| GDP per capita: | USD430 (2009e) |
| Currency: | Dalasi (GMD) |
| Form of state: | Republic |
| Head of government: | President Yahya Jammeh |
| Next elections: | Legislative by January 2012, presidential by September 2011 |

Gambia has been **relatively stable politically since the mid-1990s**. Constitutional rule—interrupted by a military coup in 1994—was restored in 1997, albeit through the auspices of a military junta, which installed through the electoral process a president from its own ranks. Presidential elections in 2001 and again in September 2006 resulted in the re-election of Yahya Jammeh. The ruling party (Alliance for Patriotic Reorientation and Construction—APRC) holds 42 out of 48 parliamentary seats. However, there is **periodic dissent and dissatisfaction with the effectiveness of government policies**. Nevertheless, Jammeh and the ruling APRC retain control of the media and are likely to remain the dominant political agencies, at least in the ST, although recent dismissals of senior army officials suggest that **a coup cannot be discounted**.

The economy is **supported through an IMF Extended Credit Facility** (formerly Poverty Reduction and Growth Facility)—the latest was arranged in 2007 and expires in February 2011—and has benefited from the Heavily Indebted Poor Countries (HIPC) initiative for debt relief. The country's completion point under the HIPC was December 2007. However, lingering concerns relating to allegations of human rights' abuses have weakened relations with the wider international aid donor community. With a **meagre natural resource base and limited geographic area**, it is essential for positive development that international aid agencies and other donors are appeased through adoption of acceptable government policies and actions. Gambia is classified by the World Bank as 'low income' and is **one of the poorest countries in the world** (per capita GDP is below USD450). **Agriculture still accounts for around 30% of GDP (70% of employment)**, while the manufacturing sector represents only 5%. The long-term growth record is poor in relation to development needs and there is high dependence on primary commodities (particularly **groundnuts, of which it is one of the largest global producers**) and tourism (subject to volatility associated with perceived security threats and currently with reduced global tourism demand, particularly from Europe).

Annual real GDP growth averaged over 5% 2000-09 but this rate needs to continue in order to make meaningful inroads into the country's poverty levels. The global financial crisis and economic downturn in 2008-09 had little direct impact on the economy, with GDP growth of around 5% last year and **we forecast real GDP growth of around 5% in 2010 and in 2011**, subject to good harvests and continued donor funding. Government revenues are dependent on the vagaries of the groundnut harvest and fiscal slippages are common. Despite high costs of energy imports, inflationary pressures will be manageable, with annual average rates of price increase of 4-5% in 2010-11.

Pre-election expenditure is likely to increase import demand in late-2010 and in 2011 and poll-associated political tensions may slow some donor inflows, so **we expect the external accounts to deteriorate**. The **current account deficit is forecast to remain large at 15-17% of GDP in 2010-11**. As a result, the dalasi will depreciate further over that period, with the rate of weakness depending on the groundnut harvest and recovery in tourism and workers' and other remittances, as well as the cost of importing fuels. Official transfers cover approximately two-thirds of the deficit, thereby re-emphasising the need to maintain good international relations. FX reserves have increased strongly and now provide an **import cover approximately double the international "comfort" minimum** of around three months. Even with debt reduction under HIPC and other initiatives, servicing of such foreign obligations utilises financial resources that would be more productively employed in improving social and economic welfare.

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